

Chairperson: Steve Cady, 278-4347
Clerk: Jodi Mapp, 278-4073

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, May 22, 2006 – 9:00 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

CASSETTE: 10; Side A, 001 to EOT
10; Side B, 001 to EOT
11; Side A, 001 to 500

PRESENT: Mark Grady, Rick Ceschin, Veronica Britt, and Steve Cady (Chair)
EXCUSED: Emily Van Dunk

SCHEDULED ITEMS:

**** CLOSED SESSION ****

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).

1. 06DC12 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.
- 10/A-19 **There were no appeals.**

2. 06DC13 Report from Department of Administrative Services-Information Management Services Division (DAS-IMSD) and Ceridian Corporation regarding the status of the proposed human resource and payroll interface with the County's Deferred Compensation program. **(VERBAL REPORT, INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

Kelly Nesemann, Project Manager, Ceridian
Hugh Morris, Business Systems Project Manager, Information Management Services (DAS)

SCHEDULED ITEMS (CONTINUED):

10/A-48 Ms. Nesemann stated that Ceridian is working on two files. The first file will be set up to capture deductions. Once an employee enrolls, changes, or stops the 457, Great-West will capture that information on the internet and produce a file. In turn, Central Payroll will take that file and import it into the Human Resources (HR) payroll web product, so that the deductions are there without anyone from Milwaukee County having to physically key them. Ceridian will touch base with Great-West once the file is received so that it can be looked at and checked for formatting. The file will be able to be tested once employees are in the database. A test load is being done now. Otherwise, testing on that file will be done during the pilot, which will be around July 14, 2006.

Ms. Nesemann explained that the second file is a standard file that is typically done for any 401K or 457 vendor. She went on to state that after the deduction is taken by payroll, Ceridian would need to provide certain data to the vendor. There are just a few things that need to be fine tuned, but this file will also be tested during the pilot on July 14, 2006.

10/A-90 Mr. Morris indicated that the transition would begin on October 8, 2006, which will culminate in a paycheck from Ceridian on November 2, 2006. In that period of time, they will begin initially by using the time and attendance system. Then, they'll move to payroll processing on the new HR payroll web system. Mr. Morris referred the Committee to a timeline report entitled "Project Milestones" that he distributed (copy attached to original minutes) and stated that the key dates in terms of processing are July 14, 2006, August 25, 2006, and September 22, 2006. Mr. Morris stated that those three dates are when they would like to test the deduction import and the file that Ceridian will send to Great-West. Both of these processes will be tested on the three dates previously mentioned.

Questions and comments ensued.

The Committee took no action regarding this informational item.

3. 06DC14 Review of Deferred Compensation Plan participant administrative fee charges.

10/A-151 The Chairman indicated that the this item was placed on the agenda because the ongoing revenues and expenses are generating a surplus each quarter above and beyond what is needed to pay the anticipated plan expenses outside of record keeping. The memo for this item (copy attached to original minutes) explains some of the numbers. He stated that all expenditures are being entered into a system and reconciled against the forfeiture account. The Chairman stated that a determination would need to be made as to whether the revenue being generated by the current participant asset fee is sufficient to cover the plan expenses. The scenarios for this determination was attached to the memo and discussed by the Committee in depth. The Chairman explained that a letter would be prepared

SCHEDULED ITEMS (CONTINUED):

from the Committee informing participants of the change and that it would be effective second quarter.

Questions and comments ensued.

ACTION BY: (Grady) Reduce the participant Plan asset fee from 30 to 24 basis points annualized or 7½ to 6 basis points per quarter effective second quarter. 4-0

AYES: Grady, Ceschin, Britt and Cady (Chair) – 4

NOES: 0

4. 06DC15 From Ennis Knupp and Associates, providing requested revisions to the Statement of Investment Policy and Investment Guidelines of the Milwaukee County Plan of Deferred Compensation. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

- 10/A-623 At the last meeting, the Statement Investment Policy was approved with the understanding that there would be some language added per requests by Great-West and also the underlying funds. Committee members received a redline version which included the language that was added under Excessive Trading Procedures. Ms. Nicholson directed the Committee to Page 3 of the Statement Investment Policy where this language is reflected. She then directed the Committee to Page 5 of the policy, which reflects the only other change that was made. She stated that at the last meeting, there had been a request to add language to show that performance is monitored on a quarterly or shorter-term basis and not just a full market cycle. This would allow the flexibility to make any decisions about performance of a fund based on shorter-term performance trends if they were of a nature that would need to be addressed.

The Committee took no action regarding this informational item.

5. 06DC16 From Ennis Knupp and Associates, providing a report on the potential use of Custom Asset Allocation Funds for the Milwaukee County Deferred Compensation Plan.

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

- 10/B-239 Ms. Nicholson explained that custom asset allocation funds would be an alternative to the asset allocation funds that are currently in the plan. The benefit of doing this is it could be customized to the County's plan. Underlying

SCHEDULED ITEMS (CONTINUED):

investment options would be used, and they could be branded more as a Milwaukee County benefit instead of just another fund within the investment plan. She referred the Committee to the memo for this item (copy attached to original minutes) and stated that it contains examples of what an asset allocation fund could look like if it was customized with the underlying investment options. Expense ratios that are listed exclude any possible administrative fees. Great-West provided an estimate that indicated there would be an administrative charge of \$10,000 annually for each fund. That works out to about 27 basis points on the assets within the asset allocation funds that are currently held. That's assuming that the \$10,000 fee is applied to the assets that are within these funds instead of applying them to the plan regardless to whether a participant is using that fund or not.

Ms. Nicholson covered in detail the arguments for and against custom asset allocation funds.

Questions and comments ensued.

The Committee took no action regarding this item.

6. 06DC17 From Ennis Knupp and Associates, providing a report on the performance of Ariel Capital Management and the Ariel Appreciation Fund

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

- 10/A-641 Ms. Nicholson informed the Committee that Ariel is going through a period of some poor relative performance, which is recognized by Ennis Knupp and is a concern. She stated that a great deal of time has been spent reviewing this fund, firm, and strategy. There has been several on site meetings with Ariel to review the investment process. As outlined in the memo, the investment strategy of this fund leads to it excluding certain parts of the market, which include energy, utilities, and technology. This has hurt performance recently. It is felt that given the investment strategy and the way that the market will move in cycles, the investment strategy will most likely have a bounce back in performance. It has shown to do that in previous periods. Ms. Nicholson stated that removing the fund from the lineup at this time would not be the best course of action; therefore, Ennis Knupp and Associates is recommending that the fund be retained in the plan at this time. She indicated that they would continue to monitor this fund closely. The Committee expressed an interest in monitoring the fund's performance closely over the next nine to twelve months.

SCHEDULED ITEMS (CONTINUED):

Questions and comments ensued.

The Committee took no action regarding this item.

7. 06DC18 First Quarter 2006 Performance Report from Ennis Knupp and Associates.
(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

- 10/B-001 Ms. Nicholson gave the Committee an update on the First Quarter Performance Report and the Milwaukee County Deferred Compensation Plan Performance Update Return Summary Ending 04/30/2006 (copies attached to the original minutes) emphasizing the areas of Fixed Income Funds, Balanced Funds, and Market Environment.

Questions and comments ensued.

The Committee took no action regarding this informational item.

8. 06DC19 From Great-West Retirement Services, memos on proposed improvements to record keeping and participant communication for Milwaukee County's Deferred Compensation Plan.

- A. Primary participant call center
- B. Milwaukee County department database
- C. Website design
- D. Future Plan administrative enhancements

APPEARANCES:

Sue Oelke, Great-West Retirement Services

Paul Corchado, Great West Retirement Services

- 11/A-380 A. Ms. Oelke stated that they have received internal approval, and if the Committee desires, the Milwaukee County Deferred Compensation Plan primary call center will be transferred to EMJAY, which is Great-West's facility located in Milwaukee County. This would include a Milwaukee County specific telephone number of 1 (877) 457-MILW. She explained that the reason for the customer plan specific telephone number is this will enable them to capture information on who participants are, what they are doing, and when they are calling. Great-West is not able to capture this information because of the general telephone number currently being used. The general telephone number will still function, so participants will still be serviced. They will just be serviced out of Denver instead of

SCHEDULED ITEMS (CONTINUED):

Milwaukee County at EMJAY. She went on to state that the statistics are not going to be totally accurate for a while because there will be people still using the old telephone number. This wouldn't mean that none of the calls would ever go to Denver because if EMJAY is busy or their work volume is too high, calls will then be routed to Denver just as Denver now routes them to EMJAY if they're busy. This transfer would be ready to go live in July.

Questions and comments ensued.

ACTION BY: (Ceschin) Transfer the plan specific telephone number. 4-0

AYES: Grady, Ceschin, Britt and Cady (Chair) – 4

NOES: 0

- 10/B-644 B. Ms. Oelke stated that as implementation of the new service model for Milwaukee County began, one of the areas that required a fair amount of attention was the service activity by department. What they have done is develop a department database that will now track all service activities, the type of service visit, the location, the number of participants, and whatever type of information is necessary in order to provide the service level that departments need. She expressed concern about departments that might be out there and may not have received a service visit in a few years, which is not acceptable. Departments will be offered services and education that fits the needs of their employees. Basic letters have been developed to confirm service visits and to confirm if a service visit would like to be declined. Ms. Oelke also informed the Committee of the financial education seminars that are available for use that covers investing, budgeting, or some other financial topics that may not be directly related to deferred compensation but will assist people in saving for their retirement.

Questions and comments ensued.

The Committee took no action regarding Component B of Item #8.

- 11/A-009 C. Ms. Oelke explained that although the current website is fine and functional, this is an effort to upgrade the look of the current web design and add the branding of Milwaukee County. Three example posters of Option #1 – Semi Custom, which was developed by Great-West's internal marketing department, Option #2 – Custom, and Option #3 - Custom, which were both developed by a subcontractor, were displayed. She stated that in this case, a look probably lasts three to five years tops, so these are not permanent. She went on to discuss in detail the advantages of each option.

SCHEDULED ITEMS (CONTINUED):

Questions and comments ensued.

- 11/B-378 After further discussion, Chairman Cady confirmed that the Committee wanted Great-West to come back in July with a modified version of Option #2 for the website design.

The Committee took no action regarding Component C of Item #8.

- 10/B-667 D. Mr. Corchado stated that what they are doing is working with Ceridian to make sure that all data specs are received as part of the requirements. This will allow Milwaukee County to turn on any of the enhancement features at any given time. It will also enable Great-West to do so without any modification to the Ceridian files or payroll. Mr. Corchado reviewed the enhancements with the Committee, which included online enrollment, automated distribution processing, salary and beneficiary record keeping, and loans.

Questions and comments ensued.

ACTION BY: (Grady) Adopt the following plan enhancements: Online Enrollment, Automated Distribution Processing, and Salary and Beneficiary Record Keeping. 4-0

AYES: Grady, Ceschin, Britt and Cady (Chair) – 4

NOES: 0

9. 06DC20 From Great-West Retirement Services, providing a 2005 Plan review for the Milwaukee County Deferred Compensation Plan. **(INFORMATIONAL, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

Sue Oelke, Great-West Retirement Services

Paul Corchado, Great West Retirement Services

- 10/B-411 Ms. Oelke referred the Committee to the 2005 Plan Review (copy attached to original minutes) for Milwaukee County. She indicated that this particular report is a first draft. Initially, this report will be produced every six months.

- 10/B-436 Mr. Corchado gave an overview of the report highlighting participation, asset allocation and diversification, participant activity, reality investing, and strategic plan summary.

10. 06DC21 Continuing Education. 2006 National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) Annual Conference.

SCHEDULED ITEMS (CONTINUED):

- 11/A-476 The Chairman referred the Committee to the information provided (copy attached to original minutes) on the annual NAGDCA Conference, which will be for any Committee members who can and wish to attend. He stated that this is an excellent opportunity to get more training.

ACTION BY: (Grady) Approve reimbursement of registration, travel, and lodging for participation in the 2006 National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) Annual Conference on September 23rd through September 27th. 4-0

AYES: Grady, Ceschin, Britt and Cady (Chair) – 4

NOES: 0

11. 06DC11 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:
- July 31, 2006
 - November 13, 2006
 - February 12, 2007

- 11/A-498 The Chairman announced the next regularly scheduled meeting date of July 31, 2006. He indicated that if there were any hardship withdrawal requests that would require the Committee to meet before then, everyone will be notified.

STAFF PRESENT:

Hugh Morris, Business Systems Project Manager, Information Management Services (DAS)

This meeting was recorded on tape. The foregoing items were not necessarily considered in agenda order. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Chief Committee Clerk. The official copy of these minutes is available in the County Board Committee Services Division.

Length of meeting: 9:05 a.m. to 11:30 p.m.

Adjourned,

Jodi Kapp

Committee Clerk

Select Committee on Deferred Compensation